GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:342
ANSWERED ON:13.12.2001
FINANCIAL CONDITION OF SEBS
ANANTRAO GUDHE;YEMPARALA VENKATESWARA RAO

Will the Minister of POWER be pleased to state:

(a) whether overdues from major consumers in the States have reached a critical stage affecting financial position of the State Electricity Boards;

(b) if so, the details of outstanding dues from such major consumers, State-wise;

(c) the steps taken/proposed to be taken by the State Electricity Boards for recoveryof outstanding dues and the results achieved during the last two years, especially in Maharashtra; and

(d) the action plan finalised to improve the operational and financial performance of the State Electricity Boards in general and MSEB in particular?

Answer

THE MINISTER OF POWER (SHRI SURESH P. PRABHU)

(a) to (d) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF STARRED QUESTION NO. 342 TO BE ANSWERED IN TH LOK SABHA ON 13.12.2001 REGARDING FINANCIAL CONDITION OF SEBs.

(a) to (d) : The Receivables of the State Electricity Boards/Utilities have been risingand according to the Planning Commission have increased from Rs.6720 crores in 1992-93 to Rs.18786.5 crores in 1998-99. The State-wise position is enclosed at Annexure-I. During this period the financial position of the State ElectricityBoards/Utilities has been deteriorating. Their losses have increased from Rs. 4560 crores in 1992-93 to Rs. 23027 crores in 1998-99. The SEBs/Utilities are expected to monitorreceivables, especially those from major consumers, and take effective action for recovery of their dues. The Government of India has been urging SEBs to take effective measures for restoring their financial health. Tackling problems of receivables is one of the key elements for restoration of financial health. The position in the matter regarding the State of Maharashtra on the basis of the information received from MSEB is enclosed at Annexure-II.

Section 24 of the Indian Electricity Act, 1910 empowers the utilities to disconnect supplyof electricity if a consumer neglects to pay charges for energy, after giving not less than seven clear days` notice in writing to such consumer. The utilities resort to disconnection under this provision, on failure of the consumers to pay charges. Other measures to recover arrears receivable include one time settlement of arrear dues, imposition of delayed payment surcharge, filing of cases for recovery of dues, writing off of bad debts etc.

The Ministry of Power, after wide ranging consultations with all stake holders namelyState Governments, State Electricity Boards, utilities, experts, trade unions, private investors and political leaders, has evolved a comprehensive and detailed Action Plan for turning around the power sector. The broad strategy for this purpose was finalized in a Conference of Chief Ministers/Power Ministers taken by the Prime Minister on 3rd March, 2001. A copy of the resolution of the Chief Ministers Conference is enclosed at Annexure-III. Based on this strategy which recognizes that the real problem of management and challenge in the power sector reforms lies in distribution, a concrete action plan has been finalized.

Based on the resolution of the Chief Ministers Conference, an Expert Group torecommend a one time settlement of past dues of SEBs, has submitted its report and thishas been accepted by the High Level Empowered Group which includes Chief Ministersof some states. With the implementation of this report, the SEBs/Utilities would havea clean balance sheet free from the burden of past dues to CPSUs.They should be able to move towards attaining financial health and fulfil the resolution of the Chief Ministers Conference of achieving commercial viability in distribution in two to three years. To assist the SEBs/Utilities in monitoring their financial health, the Power Finance Corporation along with the Institute of Chartered Accountants is undertaking an exercisefor preparing new accounting standards/norms which would be in conformity with contemporary international standards.

To tackle the technical problems of distribution involving erratic power supply, frequent distribution transformer failures and low voltage with high technical losses, the Govt. of India has stepped in to assist the States under the new Accelerated Power Development Programme (APDP).In the first phase of this programme, 63 distribution circles in the States have been taken up for intensive upgradation. In this programme, the Govt. of India had made an allocation of Rs.1000 crores during 2000-01. The provision for this year is Rs.1500 crores. The States are expected to raise an equivalent amount from the financial institutions. The Power Finance

Corporation and the Rural ElectrificationCorporation have offered the States the requisite funds. Circle specific Detailed Project Reports (DPR) are being prepared for implementation.The programme is being monitored by central level consultants who are required to undertake field level inspections. The intention is to replicate this programme in all the distribution circles of the country gradually. For this purpose, training of circle level team for preparation of DPRs and implementation of projects is being undertaken by some Central Public Institutions and Public Sector Undertakings (PSUs).The Central Electricity Authorityhas prepared detailed technical guidelines for preparation of the DPRs andimplementation of the projects. The Central PSUs are contributing their full technical and management strengths for this purpose. The target is to reduce transmission and distribution losses to 15% within a period of five years. For the APDP projects specificMemorandum of Agreement are envisaged. These identified circles are being developed as `Centres of Excellence` so as to serve as models for remaining distribution circles inthe country for improvement in a phased manner. A policy level committee has been constituted to suggest privatization/ corporatization models of distribution and strategies and measures for attracting private sector investment. .

To support the reform efforts of all the States, the Centre is entering into MOUs with thestates. These are state specific. In the MOUs which have been signed with 19 States so far, the concerned States have committed to achieve milestones for reforming the power sector. The milestones include setting up of the State Electricity Regulatory Commission, timely payment of subsidies, metering of all 11 KV feeders, 100% metering of consumers, energy audit, reduction of technical and commercial losses etc. Government of India has committed its support through additional allocation of power from Central Generating Stations, assistance fordevelopment of transmission system, financial assistance through Accelerated Power Development Programme (APDP) for strengthening of sub-transmission and distribution as well as for renovation and modernization of power plants. For the monitoring of the MOUs, the Ministry of Power has constituted teams headed by a nodal Joint Secretary.

Presently, there is an energy shortage of 7.1% and peaking shortage of 13.2% in the country. For the Tenth Plan period the Working Group on Power has worked out a capacity addition program of approximately 47,000 MW. The projects for the Tenth Plan have already been identified in the Central Sector, State Sector, Private Sector and Nuclear Power Projects. Chief Ministers of States have been requested to make suitable plan provisions for these. Planning Commission has also been requested for enhancement of power sector outlays in the Tenth Plan. A mechanism has been institutionalized for intense monitoring of the capacity addition programme both in the Central Sector as well as in the State Sector.The progress is being reviewed regularly. With the provision of adequate Plan funds and close monitoring, performance in capacity addition in the Tenth Plan is expected to show considerable improvement. Renovation and Modernization of existing plants is being given priority. With the other measures for reducing technical losses in distribution and demand side management through energy efficiency and energy conservation it should be possible to make the country free of power shortages in a definite time frame.

The Ministry of Power set up an Inter Disciplinary Group (IDG) in the context of theneed to reduce the cost of delivered power. The Group in its report submitted in April, 2001 has recommended various short term and long term measures which are under implementation. Basin-wise ranking studies have been undertaken by CEA so as tooptimally utilize the potential of feasible hydro projects over the next few decades. A Standing Committee on training has been constituted to formulate a National Action Planfor Power Training. The Committee has submitted its report. A Committee has beenconstituted to draw up a perspective research and development plan. Both training and R&D are the key to technological upgradation, innovation and cost reduction.

The Conference of Chief Ministers held on 3rd March, 2001 resolved that:

(i) Rural electrification may be treated as a Basic Minimum Service under the Prime Minister`s Gramodaya Yojana (PMGY);

(ii) Rural Electrification may be completed by the end of the 10th Plan i.e. by year 2007;

(iii) Full coverage of all households may be targeted for the end of the 11th Plan i.e. by year 2012.

To meet this national goal, rural electrification has now been included under Prime Minister`s Gramodaya Yojana (PMGY) from the year 2001-02 as a Basic Minimum Service, under which an allocation of Rs.41859.90 lakhs has been made by the States.The States have been advised to draw up a time bound action plan for the fulfilment of the national goal of coverage of all villages by 2007 and all households by 2012.

In the Chief Ministers Conference, it was agreed that there is urgent need to depoliticisepower sector reforms and speed up their implementation. For this purpose, an all party consensus needs to be created. There has been interaction with political parties, trade unions and leaders of opposition in the States. Efforts are being made to forge an all partydeclaration on power. To explain the problems of the power sector and the action that is required for resolving these problems, road shows have been organized across the country for generating public awareness and understanding. More than 2000 road shows have been organized at the district level all across India. This has been considered necessary as, without public understanding and support, it would be difficult to implement the measures necessary for turning around the financial and operational health of the power sector.

The forward-looking, reform-oriented Electricity Bill 2001 has been introduced in the lastsession of Parliament. The Bill, inter-alia, contains stringent provisions for penalty in case of power thefts. The Bill also includes provision for reduction of cross subsidies, and for payment of subsidies up front by the State Governments to the State PowerUtilities where such subsidies are considered unavoidable.

It is expected that the action plan outlined in the previous paragraphs would lead to improvement in the operational and financial

performance of the State Electricity Boards.

ANNEXURE-I

ANNEXE REFERRED TO IN PARTS (a) TO (d) OF THE STATEMENT LAID IN EPLY TO STARRED QUESTION NO. 342 TO BE ANSWERED IN THE LOK SABHA ON 13.12.2001 REGARDING FINANCIAL CONDITION OF SEBs.

REVENUE ARREARS RECEIVBLE BY SEBs Total (Rs. crore)

SEBs	1992-93	93-94	1994-95	1995-96	1996-97	1997-98	1998-99
1. Andhra Pradesh	345.9	436.8	456.9	456.8	566.7	732.0	556.1
2. Assam	85.2	106.1	130.4	181.2	235.2	283.7	320.7
3. Bihar	613.0	1068.4	1325.7	1802.9	2317.6	2810.0	0.0
4. Delhi (DVB)	499.2	543.1	NA	2192.0	NA	NA	NA
5. Gujarat	590.0	577.0	720.0	849.0	1031.0	1110.0	1457.0
6. Haryana	479.2	592.7	268.7	378.8	514.4	739.8	460.1
7. Himachal Pradesh	34.2	35.9	54.0	46.2	59.5	69.9	99.6
8. Jammu & Kashmir	81.9	96.6	112.4	126.1	140.5	125.8	217.0
9. Karnataka	409.2	442.4	592.0	671.3	760.1	1046.2	980.3
10. Kerala	99.8	138.6	170.5	185.6	760.1	1046.2	980.3
11. Madhya Pradesh	394.2	485.8	577.5	733.2	1045.2	1377.1	1694.6
12. Maharashtra	1125.1	1405.0	1641.0	1840.0	2219.0	2573.0	3482.0
13. Meghalaya	NA	NA	NA	66.7	79.9	102.5	120.0
14. Orissa	184.3	146.4	NA	NA	373.3	614.3	946.8
15. Punjab	127.4	156.3	182.2	203.4	247.5	303.9	439.3
16. Rajasthan	211.5	250.9	254.9	342.7	247.5	303.9	439.3

17. Tamil Nadu 70.0 85.0 102.9 84.6 94.0 98.3 462.8

18. Uttar Pradesh 1171.6 1437.0 1785.0 2556.9 3005.2 3737.9 4827.5

19. West Bengal 198.6 486.6 640.0 784.0 828.5 1153.1 1303.2

Total 6720.3 8490.5 9014.1 13501.4 14524.9 18227.6 18786.5

ANNEXURE-II

ANNEXURE REFERRED TO IN PARTS (a) TO (d) OF THE STATEMENT LAID IN REPLY TO STARRED QUESTION NO. 342 TO BE ANSWERED IN THE LOK SABHA ON 13.12.2001 REGARDING FINANCIAL CONDITION OF SEBs.

+ Consumer category-wise position of receivables in respect of MSEB is as under:

Sl.No.	Category	As on 31.3.2000 (in Rs. crores)	As on 31.3.2001 (in Rs. crores)
1	Agricultural		
	LT	1265.13	1525.30
	HT	38.33	56.14
2	Street Lighting	49.20	102.46
3	Public Water Works		
	LT	71.83	96.07
	HT	312.94	374.12
4	Powerloom	0.00	258.23
	Sub-Total (1 to 4)	1737.43	2412.32
5	Domestic	767.04	
6	Commercial	291.17	
7	Industrial		
	LT	264.06	141.16
	HT	653.37	717.59
8	Others	8.69	9.02
	Sub-Total (5 to 8)	1984.33	1736.58

9	Permanently Disconnected consumers (PDCs)		
	LT	459.23	772.56
	HT	400.60	417.19
	Total PDCs	859.83	1189.75
10	TOTAL (Excluding MPECS/ TATA/Inter-state)	4581.59	5338.69
11	Mula-pravara	364.00	244.73
12	Inter-state	49.97	78.13
13	TATA & Others	181.00	245.77
14	Grand Total (10+11+12+13)	5176.56	5907.28

+ Steps taken by Maharashtra for recovery of dues:

(i) The action of disconnecting the power to consumers who are in arrears has been carried out at accelerated pace since last year. Power supply to about 2.5 lakh consumers per month is being disconnected. This includes Residential, Commercial and Industrial category of consumers.

(ii) Action for recovery of arrears by resorting to disconnection of supply in respect of agricultural, street light & public water works consumers is difficult on account of various factors including causing hardship to public in general.

ANNEXURE-III

ANNEXURE REFERRED TO IN PARTS (a) TO (d) OF THE STATEMENT LAID IN REPLY TO STARRED QUESTION NO. 342 TO BE ANSWERED IN THE LOK SABHA ON 13.12.2001 REGARDING FINANCIAL CONDITION OF SEBs.

RESOLUTIONS OF THE CHIEF MINISTERS/POWER MINISTERS CONFERENCE ON 3rd MARCH, 2001

I. The Chief Ministers/Power Ministers took note of the challenges confronting the Power Sector. It was agreed that there is urgent need to depoliticise power sector reforms and speed up their implementation. For this purpose, an all-party consensus needs to be created. The Prime Minister is requested to convene all-party meetings including leaders of opposition in State Assemblies.

II. The following Resolutions were adopted :

A. COMPLETING ELECTRIFICATION OF ALL VILLAGES AND HOUSEHOLDS

(i) Rural Electrification may be treated as a Basic Minimum Service under the Prime Minister`s Gramodaya Yojana;

(ii) Rural Electrification may be completed by the end of the 10th Plan i.e. by year 2007;

(iii) Full coverage of all households may be targeted for the end of the 11th Plan i.e. by year 2012.

(iv) For the attainment of full electrification, States may be given flexibility for using funds under Rural Development Programs with the consent of the Village/Block Panchayats for undertaking the task of electrification where it is required.

(v) It was agreed that electrification of remote villages in the States would need a special mode of financing including an element of grant.

B. DISTRIBUTION REFORMS

The real problem of management and the challenge of reforms lies in the distribution sector.

(i) Energy audit at all 11 KV feeders must be made effective within the next 6 months and accountability fixed at the local level.

(ii) An effective Management Information System for this purpose needs to be made operational.

(iii) On the basis of the above, an effective program needs to be launched for identifying and eliminating power thefts in the next 2 years.

(iv) Full metering of all consumers had been targeted for completion by December 2001. Special efforts should be made to complete the programme.

(v) The quality of power supplied especially in rural areas needs to be improved through the APDP and other programmes quickly;

(vi) Commercial viability has to be achieved in distribution in 2-3 years through any or all of the following

- Creating Profit centres with full accountability
- Handing over of local distribution to Panchayats/Local Bodies/ Franchisees/Users Associations, wherever necessary.
- Privatisation of distribution
- Or any other means

(vii) Efforts by States, if necessary, at inviting private investment in the power sector need to be focussed towards the distribution sector.

(viii) Current operations on distribution would need to reach break even in two years and achieve positive returns thereafter.

C. TARIFF DETERMINATION BY REGULATORY COMMISSIONS AND SUBSIDIES

(i) State Electricity Regulatory Commissions may be made functional in the next six months and tariff filings made. Tariff orders issued by Central Electricity Regulatory Commission and State Electricity Regulatory Commissions need to be implemented fully unless stayed or set aside by Court order. It is necessary to move away from the regime of providing free power.

(ii) Subsidies may be given only to the extent of State Government`s capacity to pay the subsidies explicitly through budget provisions.

(iii) The past decision of CMs of a minimum agricultural tariff of 50 paise may be implemented immediately().

D. GENERATION

(i) Special efforts need to be made to increase the PLF of existing plants through Renovation and Modernisation.

(ii) In the short run, there is no alternative to increase in public sector investment in generation, as large-scale private investment in generation would flow only after reforms succeed in restoring financial viability. The Centre and the States need to take suitable decisions regarding increase in outlays for the 10th Plan. Priority should be given for investments at those locations which produce the cheapest power specially for hydro projects and pit head thermal generation. CEA has estimated the requirement for an additional 100,000 MW of generating capacity by 2012.

(iii) Where the States and Financial Institutions are in agreement about the need fordevelopment of IPPs, they need to work together to achieve financial closure at the earliest. The Centre would facilitate the finalisation of reforms based multi-partite agreements.

(iv) The evolution of a National Grid for inter-regional transfer of power needs to be taken up on priority.

(v) Some provisions of the Forest Conservation Act may require to be revised for expeditious completion of power and other projects.

(+) Punjab and Tamil Nadu did not agree.

E. ENERGY CONSERVATION AND DEMAND SIDE MANAGEMENT

An effective program in the field of demand side management through - energy efficient bulbs, tube lights and agricultural pumpsets,

- time of the day metering and differential tariff for peak and off peak hours needs to be implemented with suitable mass awareness and extension efforts.

F. SUPPORT FROM GOVERNMENT OF INDIA

i) The Government of India would supportthe States in their reform efforts. This support would be linked to time bound power reform initiatives in the States and achievement of definite milestones towards restoration of financial viability.

ii) Interest rates of PFC and REC should be brought down to reflect market conditions.

iii) An Expert Group would be set up to recommend one time settlement of all powersector past dues to CPSUs and dues from CPSUs to State Power Utilities. This would be linked to implementation of reforms with time bound milestones. The Group will give its report within three weeks of its constitution.

G. SUPPLY FROM CENTRAL GENERATING STATIONS

Continued supply of power from Central Generating Stations would have to be linked todemonstration of capacity to make payments for current purchases and securitisation of past dues.

H. HIGH LEVEL EMPOWERED GROUP

A High Level Empowered Group comprising of Minister of Power and Chief Ministers of some States may be set up to coordinate, monitor and review the implementation of Reforms.